

FISCAL NOTE

Bill #: HB0770

Title: Revise tax laws by increasing the corporation minimum tax

Primary Sponsor: Gallik, D

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
General Fund	\$484,270	\$1,345,200
Net Impact on General Fund Balance:	\$484,270	\$1,345,200

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. Under current law, C corporations filing tax returns in Montana are required to pay a minimum tax of \$50 for each subsidiary with operations in the state. (Corporations registered in the state, but with no activity in the state, are not required to pay the minimum tax.)
2. Under this bill, the minimum tax would increase to \$200.
3. An analysis of the corporation license tax database revealed that over the time frame 1996-2002 the number of corporations paying the minimum tax remained very stable around the average of 9,270. The total amount of minimum tax paid also remained very stable around the average of \$448,400. Increasing the minimum tax fourfold from \$50 to \$200 is estimated to increase the total amount of minimum tax paid fourfold from \$448,400 to \$1,793,600. This represents an annualized increase in total minimum tax paid of \$1,345,200.
4. This bill is effective for tax years beginning after December 31, 2004 (tax year 2005). About 36% of corporations file tax returns within the first 6 months following the close of any given calendar year for that calendar year. It is estimated that the impact of this bill in FY 2006 is 36% of the total annualized amount of \$1,345,200 or about \$484,270. The impact in FY 2007 is the full annualized amount of \$1,345,200.
5. There are no administrative impacts to the Department of revenue associated with this bill.

Fiscal Note Request HB0770, As Introduced
(continued)

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$484,270	\$1,345,200
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$484,270	\$1,345,200

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None.

LONG-RANGE IMPACTS:

State general fund revenues are estimated to increase by \$1.35 million in future fiscal years.